Canada

Registered Charities Newsletter

No. 6 - Summer 1996

If you have any comments or want information on the income tax issues we discuss below, call us at 954-0410 for local Ottawa calls, or at 1-800-267-2384 for toll-free long distance calls. You can also write to us at the **Charities Division, Revenue Canada, 400 Cumberland Street, Ottawa ON K1A 0L8**.

Can registered charities issue donation tax receipts for tuition fees?

As defined at law, a **gift** is a voluntary transfer of property which a donor makes without expecting a benefit in return. A payment for the cost of a child's education in a religiously based school is not a gift. However, it is our administrative policy to treat as a charitable gift a part of a parent's payment for instruction at a private elementary or secondary school which offers both secular (academic) and religious education. The part we treat as a gift is for the religious education only. We do this even though it gives an economic advantage to the students or their parents. We explain this policy in Information Circular 75-23, *Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools*.

Some charities try to let parents claim the full amount of tuition payments as gifts. For example, a registered charity may ask a donor for money in exchange for both an official donation receipt and a **charitable gift coupon**. The donor then uses the coupon to pay tuition to the private school of the donor's child. The school then recovers the donor's money from the charity that issued the coupon. Funds that parents give to a charity in this way are not legally defined gifts, and we do not accept this practice.

Other registered charities, often associated with private schools, set up a **student aid fund** and seek donations usually from the parents of children attending the school. Such a charity issues an official donation receipt to the donor, and gives a grant or bursary to cover a child's tuition costs. Contributions by parents to a student aid fund, even if voluntarily given, are not legally defined gifts. Accordingly, charities should not issue tax receipts for these types of donations.

Our opinion is that payments parents make in such schemes are the same as tuition payments made directly to the schools involved. Our policy does not allow any part of such payments to be treated as legally defined gifts unless the parents make the payments directly to a school as described in Information Circular 75-23.

Charities involved in these types of schemes can lose their status as registered charities. Also, we may disallow part or all of a claim that a donor makes on an income tax return for a gift made in one of these schemes.

Can registered charities average political expenses over time?

No. Information Circular 87-1, *Registered Charities - Ancillary and Incidental Political Activities*, outlines the circumstances under which a registered charity can pursue political activities. A charity can devote about 10% of its resources in a fiscal year to allowable political activities that promote its charitable purposes. The policy we stated in paragraph 15 of the circular which allowed charities to average the allowable percentage over a multi-year period is not accurate, and is hereby withdrawn.

We will amend this circular shortly.

How have we revised the T3010 return that each registered charity has to file annually?

We have revised Form T3010, *Registered Charity Information and Public Information Return*, which charities have to file for their 1996 fiscal periods. We have replaced Parts D and E of the return with a new Part D called "Remuneration." The change primarily requires charities, where applicable, to list the salary range of its five most highly paid officers. We have included an insert in the guide to the return which explains this change.

Also, we are rewriting Form T3010 and its schedules and guide. We expect to release the new version in 1997. The new return and schedules will ask for more information, but will be easier for charities to complete. As well, the new return will allow us to provide more information about charities to the public. We will mail the new return package earlier than usual. This will help charities adjust to the revised format.

The "art" of issuing official donation receipts

In the Spring 1994 edition of the *Registered Charities Newsletter*, we stated our concern about certain charities that issued donation receipts for more than the fair market value of gifts of art. Since publishing that edition, we have revoked the status of two charities for issuing receipts at inflated values for such gifts. Also, we disallowed the claims of donors for these gifts on their individual income tax returns, and we prosecuted the two individuals responsible for the scheme. We will continue to strictly enforce the rules for charities in this area.

Charities can only issue receipts for the fair market value of gifts of art. An independent appraiser should determine this value, especially for gifts of more than $1000.

This newsletter is part of a series. You may want to keep it for reference.

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